

2000 REVENUE IN REVIEW

In 2000, 90.9 percent of all tax revenue collected by the State of Nebraska was collected by the Nebraska Department of Revenue. Tax collections for the year were \$2,980 million, an increase of \$231 million or 8.4 percent above 1999. The receipts from permits, fees, and licenses collected by the department were \$595 thousand, a decrease of 18.5 percent from the previous year.

Over three-quarters of the department's net tax receipts in 2000 were from state sales tax and income taxes. Net individual income tax receipts increased \$115.4 million to \$1,223 million in 2000, an increase of 10.4 percent from 1999. Net receipts from corporation income tax were \$150.0 million in 2000, up \$19.3 million or 14.8 percent from 1999. Net state sales and use tax receipts for 2000 totaled \$896.4 million, an increase of \$76.1 million or 9.2 percent above 1999. Sales tax receipts included \$130.7 million of sales tax on motor vehicles.

The largest share of tax revenue is deposited in the State General Fund. General Fund revenue sources accounted for 77.9 percent of the total revenue collected by the Department of Revenue in 2000. Sales and income taxes are the primary sources of General Fund revenue.

Motor fuels taxes and sales tax on motor vehicles are deposited in state highway funds. Revenue deposited in the Highway Trust Fund, Highway Allocation Fund, and the Highway Cash Fund accounted for 13.1 percent of revenue collections.

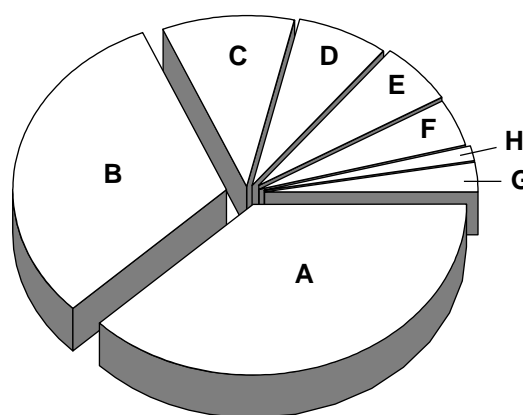
In 2000, 7.2 percent of revenue collections were distributed to local governments. City sales tax and county lodging tax are collected by the Nebraska Department of Revenue and distributed directly to cities and counties.

Revenue deposited in other governmental funds accounted for the remaining 1.8 percent of collections.

The major state revenue sources are described beginning on page 8. The descriptions include the basis and current tax rate, due dates of reports and payments, administering agencies or officials, and the manner of distribution of each tax or fee.

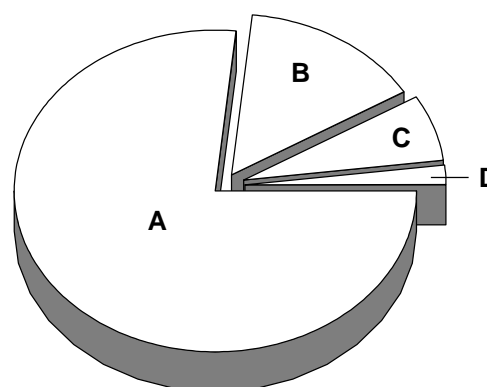
Sources of Revenue

A	Individual Income Tax	41.0%
B	State Sales and Use Tax	30.0%
C	Motor Fuels Taxes	8.8%
D	City Sales Tax	7.2%
E	Corporation Income Tax	5.0%
F	Sales Tax on Motor Vehicles	4.4%
G	Cigarette Tax	2.2%
H	Other Collections	1.4%



Distribution of Revenue

A	General Fund	77.9%
B	Highway and Road Funds*	13.1%
C	Local Governments	7.2%
D	Other Funds	1.8%



* Includes the Highway Trust Fund, Highway Allocation Fund, and Highway Cash Fund

2000 REVENUE LEGISLATION

The following is a summary of the major legislation passed by the 2000 Legislature that relates to taxes collected by the Nebraska Department of Revenue.

Sales Tax

LB 557. Beginning October 1, 2000, purchases by a city, county or joint airport authority are exempt from sales and use tax.

Income Tax

LB 1003. Beginning January 1, 2001, individuals, corporations and fiduciaries may make annual contributions to the Nebraska Educational Savings Plan Trust. The contributions to the plan must be used to pay for a beneficiary's higher education costs. Contributions are deductible, to the extent not already deducted, from an individual's Federal adjusted gross income or a corporation's or fiduciary's taxable income not to exceed \$500 for married filing separate returns or \$1,000 for any other returns. Those contributing to the trust must enter into an agreement with the State Treasurer to invest a specific amount of money for a specific period of time for the benefit of a beneficiary. The State Treasurer will administer the trust.

LB1223. This bill clarifies and amends several aspects of the Beginning Farmer Act which was passed in 1999. Significant changes are the availability of the credits to family farm corporations and to resident individual receiving income from an estate or trust. The credit is operative for tax years beginning in 2001.

Homestead Exemption

LB 1279. Provisions for the homestead exemption were clarified for applications filed in 2000. The definition for one category of "disabled" was changed to require a permanent physical disability and the use of mechanical aids or prostheses as was intended when passed last year. Operative January 1, 2000.

Miscellaneous Taxes

LB 973. Effective August 1, 2000, the Department of Revenue must collect the appropriate

alcoholic beverages tax on purchases of alcoholic liquor which have been brought into the state for personal use or received by transport, i.e., via U.S. mail or other common carrier. The tax is due on December 31 of the year in which the purchase was made. The tax is similar to consumer's use tax in that it applies when the seller has not paid the tax either in Nebraska or another state. Operative August 1, 2000.

Motor Fuels

Exporters. All applicants for a Nebraska Fuel Exporter's License will be required to post a surety bond during their first year of operation. The amount of the bond shall be set by the department. Currently, the minimum bond amount is \$10,000.

EDI. The due date for both filing motor fuel tax returns and remitting the tax will be extended five days for those filers approved to file their returns electronically. The new date will be the 25th day of the month. Anyone currently filing paper returns may avail themselves of this extended filing date by converting to electronic filing.

Diversion Numbers. It is a violation for any common or contract carrier to deliver fuel to a destination state other than the state indicated on the bill of lading, unless the diversion has been registered with the National Motor Fuel Diversion Registry and reported on their Nebraska Motor Fuels Carrier Report, Form 80. Beginning July 1, 2000, a \$1,000 administrative penalty will be imposed for each failure to register the diversion.

Dyed Fuel Penalties. The administrative penalties imposed for operating a licensed motor vehicle with dyed diesel fuel have been increased. While the initial violation penalty remains at \$250, subsequent penalties have increased substantially. A second violation within 5 years will result in a \$1,000 penalty, while a third and subsequent violations within 5 years will result in a \$2,500 penalty per violation. In addition, the definition of motor vehicle has been clarified to include those required to be registered (in-transit).

Corporate Officer Liabilities. The current or employee liability for payment of taxes,

responsibility to file any reports or returns, or perform any other act imposed upon a corporation by the motor fuel tax laws has been extended to include administrative penalties resulting from willful failure to perform their duties.

Charitable Gaming

LB 658. This bill authorizes a new type of pickle card commonly referred to as a “bingo event ticket.” This type of pickle card game will be unique from all other pickle card games in that it can only be sold at a licensed bingo occasion. Effective July 13, 2000.

LB 1086. Highlights of modifications to current gaming practices include the following: Licensed organizations may now conduct limited period bingo for twelve days rather than seven; qualified non-profits are permitted to sell lottery and raffle tickets at state, district, and county fairs; gaming licenses may be cancelled, suspended or revoked for failure to pay taxes, and; biennial licensing of gaming applicants rather than annual licensing is now required commencing on October 1, 2001. Effective July 13, 2000.

LB 659. Currently, forty percent of charitable gaming tax revenue is set aside for use by the Charitable Gaming Division to regulate and enforce gaming laws. The unused portion lapses into the General Fund along with the remaining sixty percent of tax revenue. Under LB 659, any portion of the forty percent not used by the division is transferred to the Compulsive Gamblers Assistance Fund which is supplemented by additional monies from the State Lottery. Effective July 13, 2000.

Electronic Transactions

LB 929. This bill enacts the Uniform Electronic Transactions Act (UETA) which allows the use of electronic records and electronic signatures in certain

transactions. UETA establishes electronic records as equivalents to paper records and manual signatures. Operative July 1, 2001.

LB 1251. Beginning January 1, 2001, taxpayers may be required to remit taxes using electronic funds transfer if the taxpayer paid or remitted more than \$100,000 in the tax program in the previous year. A \$100 penalty applies for each payment not made using this method when required.

EDI. The Tax Commissioner has been given the authority to require any motor fuel licensees to file their returns or reports electronically. Filers required to file electronically will be notified at least six months prior to the effective date. In addition, the due date for all motor fuels tax returns and reports shall move to the 25th of each month following the close of the reporting tax period.

Tax Incentives

LB 936. This bill enacts the Rural Economic Opportunity Act. The bill is similar to LB 775 whereby a taxpayer can earn income tax credits for increasing employment and making additional capital investment in a qualifying business. In order to qualify, a business must increase employment by one-half of one percent of the labor force in the county and pay at least 125% of the average wage in the county. The taxpayer must enter into an agreement with the Tax Commissioner and engage in certain activities, such as warehousing, distribution, research, telecommunications and manufacturing. Project applications must be filed before July 1, 2004. Effective July 13, 2000.

LB 968. This bill clarifies several property tax relief measures which have been enacted in recent years. The application process was adjusted for LB 775 companies seeking property tax exemptions. Operative July 1, 2000.